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Working Paper No.11

COARSE GRAINS, COARSE INTERVENTIONS
PART I REGULATED MARKETING
A Case Study of Andhra Pradesh and Karnataka

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This is one of two studies concerned with State intervention in agricultural marketing. We shall begin by outlining the nature and role of this sector of the economy.

Agricultural marketing systems have two potentially contradictory roles to play in economies whose resources are dominantly agricultural. Firstly it is through the process of commercialisation that the home market has developed and that non capitalist societies have been drawn into national and international monetary systems. (Nadkarni, 1979). Increasing demands for money with which to purchase goods leads to increasing sensitivity to relative prices for agricultural commodities on the part of producers involved in exchange mediated by the market. It may lead to regional specialisation according to the principles of comparative advantage qualified by ecological constraints, and thus it may lead to increases in aggregate production. It is the exchange system which transmits the crucial price signals. Thus the first role of a marketing system is allocative.

Secondly in order to sustain non agricultural development, resources have to be transferred from the agricultural sector - physical resources to guarantee supplies of food to non food controlling populations and raw materials to supply agro-industry; and financial resources which may be extracted via commodity taxation, via the terms of trade and via the profits of trade and which are reallocated to private or public sector infrastructure, industry, commerce or agriculture. Thus the second role of a marketing system is extractive. Naturally, the form and direction, the size and the pace of this transfer of resources is highly varied.

+ This is part of the report submitted to the Overseas Development Administration, U.K. Government who funded this study. The views expressed here are entirely personal.

The State intervenes of its own accord and in response to events in the world economy to modify the distribution as well as the mobilisation of resources. This applies as much to intervention in agricultural marketing systems as to other parts of the economy. In intervening in agricultural markets, its role is allocative and extractive, as explained above. By such interventions the State provides an arena of action, an arena which in turn interacts with, and reflects the actions of, a wider polity.

In this study we shall examine the action of the State by the method of identifying the purposes which the activity serves (directly and indirectly), the justifications which are offered to legitimate the activity, and the assumptions, often implicit by which implementers define their objectives and their actions. In this way it is hoped that we may build up an understanding of forces shaping policy at various levels of power and aggregation in the specific historical context of India. We may understand how policy is filtered and adapted from the Centre to the States, who in turn generate their own policy. This in turn is implemented and forms an arena of action in regions differing in their historical relations between production and exchange.

The study constitutes an attempt to improve our understanding of such actions with regard to the subsector of the sphere of exchange where the contradictions on the one hand between the nature of the physical traded surplus (reputed to be small, composed of small consignments and geographically highly scattered) and on the other hand the interventions of the State (characterised by large thresholds of capital and by high operating costs and high establishment costs) are particularly acute.

This subsector is that of rainfed food crops, most notably the coarse grains sorghum (cholam; jowar; sorghum vulgare) and millet (cumbu; bajra; pennesetum typhoideum). In Andhra Pradesh, sorghum contributes 15.6 per cent of the national production of this grain and in Karnataka 18.1 per cent. The respective contributions for millet

are 5.8 and 4.3 per cent (Bulletin on Food Statistics, 1976, p.14). While Maharashtra produces a greater share of sorghum (29.3) and Rajasthan of millet (23.7) (ibid) the first two States were selected for case study because they combined the attributes of importance in production, geographical contiguity which eased access to research material, and a variety of means of state intervention.

We look at two forms of State intervention in marketing. On the one hand there is market regulation which seeks to control and standardise the private market in the direction of effective competition and at minimum cost to itself. On the other hand there is a bundle of measures comprising State Trading (Harris, 1980a) which seek to eliminate private trade partially or completely. Clearly the two types of intervention are in contradiction and where possible we shall examine the effects of the interaction of these contradictory interventions. In this paper we look at Market Regulation.

Market regulation comprises a remarkable set of legislative acts deliberately designed "as a protective shield to farmers against traders' rapacity" (Johnson, 1970, p.103)

> "The Markets Acts provide for fair trading practices, prohibition of unwanted and excessive deductions on account of market charges and legitimate services rendered by various functionaries. For enforcing discipline among the trading community and other functionaries, the licensing system has been introduced. Further the management of markets is entrusted to market committees which are corporate bodies and on which are represented all the interests viz., traders, producers, co-operatives and local bodies. The producers have thus a voice in the management of the markets. The Acts also provide for necessary facilities such as dissemination of market information, temporary storage facilities and various other amenities such as rest houses, drinking water arrangements, lighting etc" (Min. of Food etc. 1968).

The objective of market regulation is to eliminate unnecessary activities in commerce that are unproductive of use value, explicitly: "to organise the system of sale and purchase in a manner that the grower secures a fair price... to protect him from exploitation by middlemen... The legislation provides a machinery for regulating trade by providing a common

> place where facilities would be furnished by way of space, building and storage accommodation, where correct weighment would be ensured and all weights and scales periodically checked...where disputes are settled and where qualitystandards would be fixed"
> (Govt. of Andhra Pradesh, 1970, pv-vi).

In providing physical infrastructure and in standardising the organisation of transactions in commodity markets, the State thus creates the structural and behavioural conditions for an effectively competitive, allocatively efficient, free private market at minimal costs to itself.

> Such intervention assumes the prior existence of "a number of unfair practices like uncertified weights, unauthorised deductions and high rates of commission" indicative of monopoly or oligopoly control of commodity markets" which took away a substantial share of the price paid by the final consumer and placed the farmer cum seller at a disadvantageous position.. against the organised sector of the trading class" (op.cit.p.v).

It is assumed then that by such intervention imperfect or monopolistic markets may be rendered more effectively competitive through time and will progressively benefit producers and consumers (Von Oppen, 1978; Govt. of Mysore, 1972). It is assumed that the restriction of the active intervention of the State to such regulatory functions in agricultural marketing will achieve both efficiency and equity objectives. Further in being well organised with "orderly, impersonal and well disciplined procedures" and in being democratically supervised, regulated markets provide incentives to farmers to innovate. "Regulated markets certainly aim to create larger, more efficient rural communities" (Johnson, 1970, p.103). By 1964-5 when half of India's agricultural markets were said to have been regulated, over 90 per cent of regulated markets were in 6 of the 17 States (Maharashtra, Gujarat, Karnataka, Punjab, Madhya Pradesh and Andhra Pradesh).

> "In such States agriculture is technically more advanced, more commercialised and better organised because of Regulated Markets. (Johnson, 1965, p.77; 1970 p.103-113, p. 336)

However it may be argued that the implementation of market regulation based on the model acts for cash crops of the 1897 Berar Cotton and Grain Markets Law and the more celebrated 1927 Bombay Cotton Markets Act, was actually slow and somewhat serendipitous. Conceived at the national level, with cash crops primarily in mind, the legislation filtered through provincial legislatures, was modified and reformulated to suit local conditions and was implemented in widely differing agrarian regions. We shall look here at the history of two States: Andhra Pradesh and Karnataka.

Regulated marketing in Andhra Pradesh

In Andhra Pradesh there are notable contrasts between the legislation covering the former States of Hyderabad and that covering Coastal Andhra. In the former Hyderabad State there had been enacted as early as 1930 the Hyderabad Agricultural Markets Act, a comprehensive piece of law covering all crops and standardising the organisation of exchange, implemented by a separate Department of Marketing, unique in India (Govt. of A.P., 1975, p.xiii). In their evaluation of this act, the Law Commission of Andhra Pradesh asserts that early regulation+ focussed exchange in regulated market sites rather than in villages and

> "It must be said that the legislation enacted with wisdom and foresight in the former State of Hyderabad has been a boon to the ryots" (1962, p.3)

Under it cereals and pulses have always been regulated in Telengana.

By contrast, the Andhra area came under the jurisdiction of the 1933 Madras Commercial Crops Act. This was restricted in its coverage to cash crops: cotton, jaggery, groundnut and tobacco. There was no precise concept of the notified ("catchment") area of a market, nor was allowance made for the standardisation of transactional procedures or of fees. About this legislation the Law Commission alleged:

+ Note that not all markets in Hyderabad State were regulated in the Thirties.

> "The markets governed by this Act have not functioned properly and not attracted the cultivator to them. The middlemen and the village merchants have not been controlled effectively" (op.cit.p.4)

Thus there were major regional differences in the organisation of marketing. On the eve of the formation of Andhra Pradesh in 1956, there were 46 regulated markets in Telengana and only 16 in Andhra and Rayalseema. On formation of the new State, the Hyderabad Marketing Department was downgraded. However, in order to create legislative conditions for the integrated organisation of exchange in the new State, the Andhra Pradesh Agricultural Produce and Livestock Bill was introduced in 1961 and finally enacted in 1966 with yet another new Department to implement it. The Telengana model was substantially followed so that it is only since 1966 that cereals and pulses could be regulated in Andhra and Rayalseema. An additional new stipulation of the 1966 Act was that 30 per cent of market revenues should be remitted to support the relevant part of the State administration. By 1976 this was 20 per cent. A further 10 per cent is pooled centrally by the Marketing Department for investment in new physical infrastructure (Govt. of A.P. 1975, 1977a). Market charges to be taken from traders thus directly support a faction of the bureaucracy.

The market revenue comes overwhelmingly from market fees collected by the Regulated Market Committees on an advalorem basis. The remainder of the revenue comes from licences for traders (of three types depending on annual turnover) and for other "market functionaries" such as lorry drivers, cartmen, weighmen and labourers. (coollies/hamals/hamalies). Parastatal marketing institutions such as co-operatives and the Food Corporation of India are exempt from such dues. The Market Committee implementing the legislation and collecting the revenue varies in size between 12 and 16 members of whom 50 per cent must be <u>bona fide</u> farmers (Pesneaud et al, 1976, pp.1-8).

In December 1974 a State Marketing Board was set up to advise the Marketing Department and review the functioning of regulated

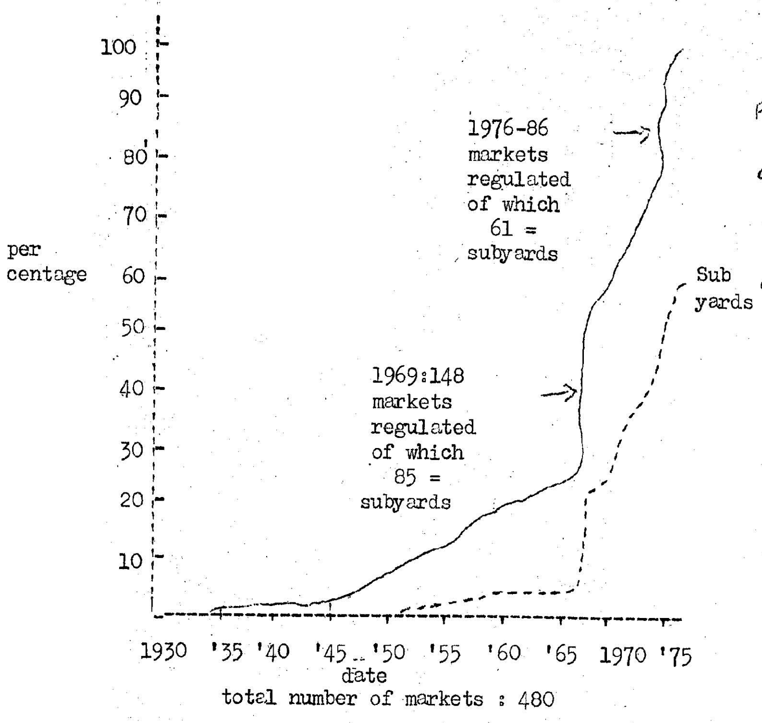
markets. It was enlarged from 16-25 members in 1975 to incorporate 9 politicians: members of the State Legislative Assembly (Govt. of A.P., 1977 a, p.44). This represents a further expansion of State and parastatal activity to be supported by the marketing system, this expansion involving political representatives as well as administrators.

Diagram 1 charts the progress of market regulation in Andhra Pradesh under the various acts. Since the enactment of the 1966 Bill there have been two crash programmes, one establishing regulated markets in coastal Andhra and Rayalseema in 1969, and the other establishing subyards all over the State in 1976. Market regulation is not invariably a process beginning with large markets and ending with small ones. The market income statements of the State Marketing Department's Administration Reports show that some large trading centres were unregulated till recently. There is now one market committee per taluk - 196 in all - supervising exchange in some 480 markets by 1977.

Regulated marketing in Karnataka

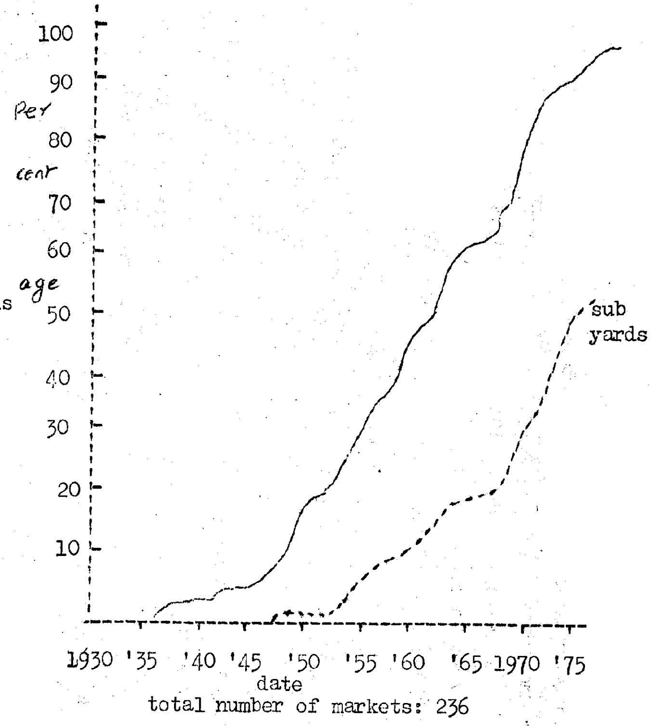
The region to become Karnataka was partitioned under 5 unco-ordinated and different pieces of Marketing Law (the Hyderabad Agricultural Produce Markets Act, 1930; the Madras Commercial Crops Act, 1933; the Bombay Agricultural Producer Markets Act, 1937; the Agricultural Produce (Grading and Marking) Act, 1937; and the Mysore Agricultural Produce Markets Act, 1939). One separate Department was set up in Mysore later in 1948 to administer this legislation. On the reorganisation of States in 1956, Mysore State had 37 regulated markets but it was not until 1968 that the original 5 pieces of law were operationally replaced by one Act: the Mysore Agricultural Produce Marketing (Regulation) Act, 1966. As in Andhra Pradesh, though later in time, this Act standardised the organisation of transactions. All market functionaries were to be henceforth licensed; producers were to sell by open auction or open tender, having had their produce weighed. Payment should be immediate; extra deductions are prohibited and market charges rationalised and made uniform. (Govt. of Mysore, 1972, pp. 33-36).

Diagram 1: Cumulative percentage of markets Regulated Andhra Pradesh State



Data source: A.P. Marketing Dept. Annual Administration Report 1976-77, 1977, Hyderabad.

Diagram 2: Cumulative percentage of markets Regulated, Karnataka State.



Data source: Karnataka Marketing Dept. Annual Administration Report 1975-76, 1976, Bangalore

"Irregularities relating to sales proceeds or market charges recovered are detected by the market committee... This has resulted in a substantial monetary benefit accruing to the producer-seller in the markets of the State" (op.cit.p.35 my emphasis).

The procedure for establishing a Regulated Market Committee varies slightly from that in Andhra Pradesh. In Karnataka the Committee comprises 15 people: 7 elected by the agriculturalists from within the notified area - the hinterland of the regulated market decided by the Department and the Board - 2 traders, one commission agent, one representative of the taluk co-operative or credit society, one representative of a co-operative producers' society, one member of the Taluk Development Board; one from the local Municipal Authority and one officer from the Marketing Department, all to be elected from their respective institutions for a period of 4 years. The Chairman is chosen by the Committee, runs the Committee, the market finance and controls officers of the Marketing Department. The Market Committee is beset by contradictions. On the one hand, in appearance, it is an institution of consensus (Johnson, 1970, p.107). Legally it is very powerful and each Committee has sufficient time in office to develop and consolidate this power. On the other hand, in reality, it is an arena of interaction between several different interest groups (producers, traders of different types and representatives of various state and parastatal institutions), some groups instituted to bring about the eventual overthrow of others (producer co-operatives of individual producers, marketing cooperatives of traders etc.).

The 1966 act also enabled a State Marketing Board to be set up earlier than in Andhra Pradesh, financed by 5 per cent of the Market Committees' revenues (I.D.S. 1976, Mysore, p.106). The functions of this Board are identical to those of the Marketing Department itself, namely the

"promotion of grading and standardising, the general improvement of the regulation of marketing in the State, giving aid to financially weak market committees in the form of

> loans and grants, carrying on propaganda and publicity on matters relating to regulated marketing, imparting education in agricultural marketing and training the officers and staff of market committees.... and to advise on the size of notified market areas, the produce to be regulated and the creation of committees, yards and sub yards" (Govt. of Mysore, 1972, p.42)

Also an Engineering Cell has been recently set up half financed by revenue from market Committees and half from general State funds (Govt. of Karnataka, 1976). Thus, as in Andhra Pradesh, revenue exacted from farmers and traders at market places finances the Department, the Board and the Engineering Cell, though, unlike Andhra Pradesh, amendments made in 1976 enable the State Government to have discretionary determination over the precise size and burden of remittances (Govt. of Karnataka, 1974, amendments 1976; Govt. of Mysore, 1972, pp.21-32).

As is evident from Diagram 2, markets have been regulated in a steadily incremental way through time. There is little pattern in space, (Govt. of Mysore, op.cit., pp.28-31). As in Andhra Pradesh, however the northern interior districts had markets regulated earlier than did the southern or coastal districts (perhaps under the Hyderabad legislation) By 1975-6 there were 105 main markets and 131 subyards 236 markets in all (Govt. of Karnataka, 1976) and half of the number in Andhra Pradesh.

Finally international financial institutions have lately become involved in this process of expansion of regulated marketing. In Andhra Pradesh a project costing Rs.35 crores to provide physical infrastructure in 174 regulated markets and to construct 3.2 m tonnes of storage is under consideration for finance mainly by the International Development Association (a subsidiary of the World Bank) through the Indian Central Government's Agricultural Refinance and Development Corporation (Govt. of A.P., 1974, pp.1-2, p.31, p.39). It is envisaged that local financial institutions such as the Commercial Banks will also invest in physical infrastructure, through the Market Committees. Such bank loans will be guaranteed by the A.R.D.C. and therefore

ultimately by international capital. In this way the I.D.A. is also providing loans to private traders for the construction of shops and stores. Central Government funds are also used to finance physical infrastructure for regulated marketing under the Nagarjunasagar, Pochampad and Tungabhadra irrigation projects.

In Karnataka an even larger project costing Rs.43.1 crores and involving rural roads, physical infrastructure and storage facilities for 97 regulated markets is actually in course of implementation (Govt. of Karnataka, 1974, pp.17-19). Rs.9.5 crores for 59 markets has been sanctioned by the I.D.A. and Rs.11.9 lakhs of local capital is to be raised from the revision of market fees from Rs.0.5 to Rs.1.0 per hundred of turnover by value. A further Rs.20.8 lakhs is to be invested by 7 commercial banks. The I.D.A. is also extending loans to market committees for the construction of shops to be leased to private traders (Govt. of Karnataka, 1976, p.18). Furthermore an unspecified quantum of funds from the World Bank are committed to marketing infrastructure in Karnataka State under the Tungabhadra irrigation project (Pattanshetti, 1977, p.2, p.9, p.39; Karnataka State Marketing Dept. 1977, p.11) whose objective is to increase marketed surplus by 700 per cent in the decade 1977-87. Bellary market in Karnataka receives Rs.19 lakhs under the Tungabhadra project and Rs.8 lakhs under the I.D.A. scheme (I.D.S., 1977 Bellary, p.10).

International agencies such as F.A.O. also regard the creation of regulated markets as progressive. F.A.O. asserts:

> "The establishment of markets subject to supervision and regulation has undoubtedly contributed to a reduction in marketing costs, the lowering of market charges and commission rates, the provision of supervised services and in some cases the elimination of commission agents" (1978, p.5, my emphasis).

F.A.O. favours projects extending such institutions with the aid of international finances.

In view of these assumptions, assertions and the substantial investment of local, national and international capital based on them, it is thus of some relevance to examine the behaviour of commodity markets in response to regulation. With the increase in coverage of market regulation through time, aggregate production may increase because of the improvements in competitive performance leading to crop specialisation according to the principles of comparative advantage (Von Oppen, 1978; Johnson 1970 pp.103-113). We shall use price statistics in this investigation. In the last part of this paper we shall examine case study data on the administration of regulated markets at the micro level.

In the statistical analysis we shall concentrate on the behaviour of foodgrains marketing systems, the marketed surplus of which was not considered until recently, except in Hyderabad State, as constituting "cash crops" worthy of regulation. Production and marketed surplus (the latter defined as arrivals in regulated markets) are given in Table 1. By this criterion marketed surplus is apparently very low. The N.C.A.E.R.'s estimates of marketed surplus in the late sixties are also very low (see Table 2) as is the estimate of 6 per cent of production for cereals in the area of Northern Karnataka irrigated under the Tungabhadra project (Karnataka State Marketing Dept., 1977, p.11). On the other hand, the Directorate of marketing, Andhra Pradesh, has recently given a residual estimate of marketed surplus for sorghum (production minus kind wages minus domestic consumption and seed requirement) as 42 per cent (1977 b, p.10). A random sample survey of 226 producers in Gokak Taluk reveals a marketed surplus for sorghum of 23 per cent ranging from 13 per cent among those with less than 3 acres to 29 per cent for those with more than 10 acres (IDS, 1978, Gokak, p.38-41). And a survey of 20 villages in the Tungabhadra area of Karnataka reports marketed surplus of sorghum as varying from 33-66 per cent of production, and of millet from 10-90 per cent of production depending on the locality (Pattanshetti, 1976, p.40). Hence even assuming some margins of error in such estimates, it must nonetheless be supposed that the vast bulk of

Table 1

Production and Marketing of Foodgrains

	Production (tonnes)	Supplies to Regulated markets as % production	% contribution to total turnover by value in Regulated markets
Andhra Pradesh 1976-7			
Rice	6,208,100	14	30
Sorghum	1,153,800	6	2
Millet	351,400	5	0.2
Ragi	365,300	7	n.d
Toor dhal	n.d.	n.d.	0.3
Total cereals and pulses			36
Karnataka 1975-6			
Rice	3,919,600	8	8
Sorghum	1,799,500	7	8
Millet	269,000	7	1
Toovar dhal	170,000	16	2
Total cereals and pulses			30

Data sources: Depts. of Marketing Annual Administration Reports, A.P. 1977, Karnataka, 1976.

n.d. = no data.

Table 2

Pattern of Disposal of the Output of Jowar (in 1966-67 Kharif Season)

(Quintals per hectare)

States and districts \ Disposal of output	Output	Quantity sold	Quantity kept for home consump-tion	Paid or kept for paying to village artisans and agricultural labour	Kept for seeds	Kept for future sales	Paid or kept for payment of loans and lendings	Share of landlord
Andhra Pradesh Nizamabad	3.73 (100.00)	0.57 (15.23)	1.61 (43.05)	1.38 (37.09)	0.15 (3.97)	--	--	0.02 (0.66)
Madhya Pradesh Ujjain	4.05 (100.00)	0.57 (14.02)	2.02 (50.00)	0.52 (12.81)	0.10 (2.44)	0.77 (16.90)	0.07 (1.83)	--
Maharashtra Jalgaon	7.46 (100.00)	--	2.92 (39.08)	0.49 (6.62)	0.05 (0.66)	3.78 (50.66)	--	0.22 (2.98)
Sholapur	3.53 (100.00)	1.04 (29.37)	1.92 (54.55)	0.57 (16.08)	--	--	--	--
Mysore (Karnataka) Bijapur	2.00 (100.00)	0.22 (11.11)	1.53 (76.54)	0.15 (7.41)	0.10 (4.94)	--	--	--
Gulbarga	2.79 (100.00)	1.16 (41.59)	0.82 (29.20)	0.32 (11.50)	0.10 (3.54)	0.07 (2.66)	0.22 (7.97)	0.10 (3.54)
Rajasthan Jhalawar	3.85 (100.00)	0.10 (2.56)	2.15 (55.77)	0.77 (19.87)	0.12 (3.21)	0.42 (10.90)	0.02 (0.64)	0.27 (7.05)

Source : N.C.A.E.R., 1969, p.166 Table 88

marketed surplus escapes enumeration by the expedient of never entering regulated markets. Pattanshetti's surveys suggest that 82 per cent of marketed millet and 50 per cent of marketed sorghum is not marketed in the regulated markets of the project area (op.cit. p.42). All the same, cereals and pulses constitute between 30 and 35 per cent of the total turnover by value of regulated markets in Andhra Pradesh and Karnataka and therefore 30-35 per cent of market committees' revenues.

Data

It is significant that the only rich data on the sphere of exchange relates to prices, indicative of their social importance. Even so, strictly comparable price series data for foodgrains do not exist in these two States. To examine market performance it is necessary to have price data

(i) disaggregated spatially
(ii) covering as small a time period as possible
(iii) extending over many years.

These are unachievable ideals. Month end wholesale price data for "main market centres" for all foodgrains are available for the years 1963-67 in Andhra Pradesh (Govt. of A.P., 1970). They are only available for the agricultural years 1974-5 to 1975-6 for Karnataka (unpublished data, Karnataka State Marketing Department). Post harvest peak marketing period wholesale prices are reported in the Season and Crop Reports for both States. Data for Andhra Pradesh covering the decade 1966-76 are available; published data for Karnataka vanish after 1971, and have to be unearthed up to 1975 in the unpublished drafts of the Season and Crops Reports from the Department of Statistics of the Government of Karnataka. While not all of these "main market centres" were regulated at the beginning of the period, all were by the end. Familiar problems with the lack of standardisation of market places for which crop prices are reported, with obvious variations in the accuracy with which such data is collected and with lack of standardisation within crops by variety or by seasons of cultivation have been encountered with this data, which underline the experimental nature of the exercises. These

have only been performed on data which can be assumed standardised by variety and place. But this reduces the data base further and in an irregular manner. These are quite unavoidable problems.

Methodological difficulties relating to the evaluation of market competitiveness using price series data and techniques such as the correlation co-efficient and the static and dynamic analysis distributive margins have been discussed critically elsewhere (Harriss, 1980). For our present case, given no data on marketing costs and given rural marketing systems involving large numbers of markets, we can in fact examine the behaviour of co-efficient of variation of prices using the assumption that transfer costs are static through time or alter through time in a spatially consistent manner. The direct comparability of this index between commodities will enable conclusions to be drawn about relative changes in the performance of imperfect markets. This index was used in a basic study of the behaviour of foodgrains prices by N.C.A.E.R. and constructed from annual average commodity prices for each state of India (1969). This study revealed that inspite of fewer restrictions on transport for sorghum than for rice or wheat "regional disparities" as evinced by the co-efficient of variation of prices were higher for sorghum (N.C.A.E.R., op.cit., p.72,100,101). The market for sorghum was more imperfect than for other grains and pulses.

The behaviour of commodity marketing systems

Tables 3 and 4 give co-efficient of variation of peak marketing period prices for paddy/rice, sorghum, millet and an important pulse, toovar dhal, in sets of regulated markets (whose sizes are specified in the respective Tables) for 1968-75 in Karnataka and for 1965-76 in Andhra Pradesh. During these periods 35 per cent of presently regulated markets in Karnataka were brought under this legislation, and 77 per cent in Andhra Pradesh. This period was evidently a time of unprecedented expansion of administrative power over commodity markets.

We hypothesise firstly that improvements through time in the spatial intensity and crop coverage of regulated marketing reduces

Table : 3

Co-efficients of Price variation, Karnataka State

Crop	Paddy	Kharif Sorghum	Rabi Sorghum	Toovar Dhal
No. of markets	18	13	9	13
1968-69	6.5	8.0	4.5	25
1969-70	12.7	10.0	7.3	16
1970-71	8.6	14.2	6.1	13.6
1971-72	6.8	11.7	7.4	17.1
1972-73	14.8	11.5	11.4	15.4
1973-74	14.4	14.8	12.7	17.8
1974-75	12.1	19.3	6.9	n.d
Average 1968-75	7.8	9.9	7.0	8.7

Source: Annual Season and Crop Report data (unpublished)

Table : 4

Co-efficients of Price Variation, Andhra Pradesh

Crop	Rice	Sorghum	Millet	Toovar Dhal
No. of markets	21	18	17	17
1965-66	13.7	8.5	11.7	15.9
1966-67	14.7	8.8	12.5	14.3
1967-68	15.1	5.4	10.2	13.3
1969-70	10.9	10.7	10.0	10.2
1970-71	9.2	13.9	10.4	5.9
1971-72	7.6	12.5	8.8	7.3
1972-73	9.3	10.9	9.1	8.2
1973-74	10.9	11.1	10.7	4.4
1974-75	12.2	10.1	n.d	4.9
1975-76	12.2	11.6	11.1	17.4
Average 1965-76	6.6	10.7	5.4	9.7

Source : Annual Season and Crop Report Data.

imperfections in the performance of commodity markets and therefore (other things being equal or changing uniformly) reduces the size of the co-efficient of price variation. We hypothesise secondly that crops in which the State holds buffer stocks and in whose markets the State intervenes by price support and by controlling supply (overwhelmingly paddy/rice in dryland regions) have economic markets which are better regulated and therefore less imperfect and which are therefore characterised by generally lower coefficients of price variation than those crops in which the State does not intervene.

For neither hypothesis do the co-efficients of price variation show convincing evidence. There is certainly no uniform trend across all crops towards a secular decline in co-efficient which could be unequivocably attributed to regulated marketing. Only in the case of toovar dhal is such a trend faintly detectable in both States. In both States the coefficients for paddy/rice decline to the early seventies but then rise again. In both States the coefficients for sorghum fluctuate and rise through time and in Andhra Pradesh that for millet fluctuates. Regulated marketing has apparently failed to halt a rise in the level of market imperfection in the most important grains: rice and sorghum. Spatial inequalities in these prices are increasing through time. At best regulated markets may have slowed the rate of deterioration of the pricing environment which may have been caused an exacerbated by other actions of the State, but market regulation shows no sign of having countervailing power. In implementation, it seems weak.

Insights from an independent comparative but static analysis of distributive margins between producer-wholesale and retail for 3 dryland crops in Andhra Pradesh are instructive (see Table 5). Here it is quite clear that the distributive margins for sorghum and green gram is much larger and that the producer receives a far lower percentage of the consumer's rupee in Telengana (the former State of Hyderabad where markets were regulated procociously early) than in Andhra region or Rayalseema. This casts some doubt on the Law Commission's approving evaluation of the Market regulation legislation

Table 5 : Village Producer's Share of Consumer's Rupee in local District Centre Sorghum (S), Redgram (RG), and Greengram (GG) 1971-2

Andhra region District	P/C as percent S	RG	GG	Rayalseema District	P/C as percent S	RG	GG	Telengana District	P/C as percent S	RG	GG
Srikakulam	73	76	28	Chittoor	72	--	--	Hyderabad	56	86	56
Vizakapatnam	44	80	45	Cuddapah	79	88	63	Medak	64	83	53
E. Godavari	73	82	74	Kurnool	67	--	40	Adilabad	53	88	44
W. Godavari	78	88	65	Anantapur	67	81	77	Warangal	34	85	24
Krishna	80	88	86					Khammam	30	84	12
Guntur	47	81	45					Mahabubnagar	55	87	33
Prakasam/Ongole	54	86	41					Karimnagar	44	86	42
Nellore	84	83	83					Nalgonda	71	87	63

Sources of data : Cost of Production and Marketing cost data from Regional Assistant Directors of Marketing Reports in Appendices VIII.

P.P 70-1 of Dept. of Marketing Report on the Marketing of Jowar in Andhra Pradesh

P.P 63-82 " Survey Report on the Marketing of Redgram in Andhra Pradesh

P.P 44-47 " Report on the Marketing of Greengram in Andhra Pradesh

Hyderabad, 1977

there and suggests that market regulation might not be a necessary condition and certainly is not a sufficient condition for effective competition and for the protection of the producer's interests.

The co-efficients for paddy/rice are generally very slightly lower than those for the other crops in which the State trades but little through its corporations and Fair Price Shops. Analysis of variance showed these differences to be without statistical significance. The aggregate statistical evidence presented here provides little historical support for the ability of these forms of action by the State to control authoritatively the behaviour of the wholesale prices in the direction of greater stability.

The practice of regulation

So far we have examined the legislation itself, the diffusion of this form of intervention and the behaviour of prices consequent to this diffusion. But our analysis is far from complete if we exclude any consideration of the practice of regulation. This necessarily has to be based on case study sources which represent different interests. The Administration Reports of the respective Marketing Departments provide much statistical information but little explanation either of anomalous data or of problems in implementation. By contrast, reports written by regional administrators are redolent of reformist frustration. Project appraisal documents designed for international fund donors describe those aspects of behaviour thought to be remediable with infrastructural and organisational changes requiring international finance. Evaluations for such agencies may be critical, but remain reformist in assumptions and in intention. Very little literature is intended for no purpose other than that of understanding society. Much of it is of the hypothesis verifying kind rather than constituting a critique or an explanation of the reality of practice behind the appearance of legislation. To attempt this requires the sifting of material not oriented to our purpose. The best we can do is to chronicle the ways in which the law is implemented and the distortions in and barriers to its implementations.

What the process ignores

It is as well to be aware at this stage of those aspects of marketing that are not covered by the Regulated Marketing Acts. Firstly, though information on prices for notified crops is collected and made available with varying degrees of efficiency, market prices cannot be controlled by forces other than by the private sales practices by which prices are agreed. Secondly the Regulated Marketing Acts cannot control the money markets or the money lending or credit activities of traders. Advance moneylending (whose principal and interest is paid in kind after harvest) ties farmers to specific traders, and commonly exaggerates imperfections in the commodity marketing systems (Govt. of A.P., 1975; I.D.S. 1976 Mysore p.78; 1977, Chintamani, p.43; Bellary p.88). Transport is also unregulated. In Andhra Pradesh, bullock cart transport costs for foodgrains vary regionally from Rs.0.06 to Rs.0.5 per quintal-mile while those for truck transport vary from Rs.0.03--Rs.0.25 per quintal mile: both by a factor of 8 (Govt. of A.P., 1977b, p.34-40). High transport costs resulting from absent or poor communications infrastructure is a major factor preventing producers from selling in regulated markets such as Gulbarga. They prefer village locations (I.D.S., 1978, Gulbarga, p.p.7-12, pp.19-20). Finally storage costs are unregulated. In Andhra Pradesh storage costs for coarse grains vary regionally from Rs.0.05 to Rs.0.25 per quintal-month: by a factor of 5 (op.cit. p.44-45).

The views expressed by the Law Commission of Andhra Pradesh in 1962 are just as relevant now:

> "The legislation does not enable the cultivator to free himself from the clutches of the commission agent..... His indebtedness to the commission agent is there and is not regulated... The object with which the legislation for regulating markets was initiated is not only to see that the producer gets a fair price for his produce but also to free him if possible from the clutches of the middlemen. As there is no provision in the proposed bill or in similar legislation in other States to solve this difficulty, we must observe that this is a serious lacuna which requires to be remedied. The problem is not easy to tackly for the reason that the market committees will not be in a position to advance short term loans to the middle class ryots to meet their needs already stated... It must be emphasised that unless this difficulty is removed, complete relief for the... ryots cannot be secured" (1962 pp.16-17)

The administrative process

Regulated markets are not created from a tabula rasa but represent bureaucratic modifications to existing marketing systems. As the legislation was and is formulated to curb the monopoly power of merchants we may expect this intervention to be an arena of struggle between those curbing and those curbed. The outcome of this struggle will depend on the power of the competing groups. If these are evenly matched there may not be a single outcome but a continual series of struggles. If the exchange system is already competitive and orderly then the legislation will effect little change and will attempt to preserve this competitive structure from concentration and domination by monopoly capital. In every case regulation is a process taking time, not an instantaneous event.

For instance in Andhra Pradesh, out of 115 markets regulated by 1974, exactly one third had not yet formed Market Committee to administer the Law and thus were regulated in name only (Govt. of A.P. 1974, p.2-3).+

Regulation involves the acquisition of a site for transactions. Inevitably this new site is peripheral to the market town and to the old market place(s) or Bazaar(s). Long delays in the granting of land are reported (Assistant Director of Marketing, Nalgonda (henceforth A.D.M.N.) 1977, pp.5-8; I.D.S. 1977, Gokak pp.7-9) as well as delays in the completion of construction contracts and irregularities in the use of construction funds controlled by Market Committees. In Karnataka by 1972, of the 97 markets regulated only 54 owned new market yards; in the remainder, transactions were regulated in the old bazaar sites risking leakages of market revenue through clandestine trade, and exacerbating problems of supervision (Govt. of Mysore, 1972, pp.47-168).

> "Trade was allowed to be carried on in the existing bazaar localities in almost all the regulated markets which prevented Market Committees from exercising a proper effective control over all transactions and putting a stop to various malpractices prevalent in the trade" recounts the Marketing Department of Andhra Pradesh in 1973 (p.14), 1974 (p.16), 1975(p.12)

+ The process of expansion of markets and subyards conceals some contraction as well, as the small minority of heavily deficit market yards are merged with profitable ones (Govt. of A.P. 1974 p.29)

However, shifts in the location of transcations from the bazaars to new sites have been successfully resisted by merchants (Govt. of A.P., 1977 b, p.23). In Karnataka in 1972, of the 54 markets with yards, only 14 had successfully shifted sites. Difficulties in changing the location of marketing are mentioned in all the case studies made for the World Bank by the Institute of Development Studies (I.D.S. 1976 Mysore p.19-22; 1977 Bellary pp.28-30; Chintamani p.30; Gokak pp.7-9; Gadag p.58, Gulbarga p.56, 1978; Kollegal pp.10-13, 1978; Gulbarga, p.157; Karnataka State Marketing Department, 1977, p.16), though in certain areas the shift is partial, merchants trading in certain goods, notably foodgrains and vegetables, resisting more strenuously than traders in conventional cash crops. Mysore's vegetable traders lobbied State ministers so successfully that vegetables were deregulated (Prof. Jaishankar, IDS, Mysore, Per.Comm. Dec.1979). Reistance is generally stated to be due to the present ease with which monitoring is evaded, to increases in transport costs necessitated by the move to peripherial sites and to increases in handling costs where sales are spatially separated from processing infrastructure (I.D.S., 1978, Kollegal, p.13). Foodgrains traders alone have refused to shift site at Gokak because they were considered as ineligible for cheap (international) credit for godown facilities by virtue of their low turnovers in comparison with large scale cash crop traders favoured for such benefits (I.D.S., 1978, Gokak, pp.42-43).

The creation of new markets may involve the spawning of subyards administered by Market Committees. Again traders may respond to the threat of diverted flows of goods by refusing to use subyards, making the fixed costs of their administration problematically heavy for the Market Committee (see Von Oppen, 1978; p.18; I.D.S., 1977, Gulbarga p.46).

Finally schemes encouraging traders to construct their own shops and stores on the new sites, sometimes with subsidised international loans, have met with such lukewarm responses that either Market Committees, or the Marketing Department or occasionally general urban property speculators having no direct trading intersts have invested in construction (see for instance I.D.S. 1976, Mysore, p.69, 1978 Kollegal pp.31-32; 1978 Gokak, pp.3-4).

It is evident that market regulation is a lengthy process encountering frequent powerful opposition from the mercantile sector and resulting in a far from uniform provision of physical infrastructure.

Variation

Although the legislation in both States is designed to rationalise and standardise marketing behaviour, Local Market Committees have sufficient legal autonomy to resist, and the State Marketing Department has insufficient power to insist on implementation.

Hence for example, market regulation and crop notification do not go hand in hand. Foodgrains are rarely among the first crops to be notified and when foodgrains notification diffuses irregularly, the private trading system clearly operates under widely varying types and levels of bureaucratic control.

The notified area of a market is designed for two purposes: to be an accurate delimitation of a market's primary hinterland within which all wholesale transactions of notified crops are to be regulated; and to be a franchise area for the election of members of the agricultural component of the Market Committee. The sizes of notified areas represent compromises between the maximisation of market revenue (a force towards large size) and the maximisation of ability to scrutinise transactions with limited supervisory personnel (making for small size). The notified area has limits to its validity as an electoral unit, there being no necessary correlation between the farmers elected to the Committee and the importance to the market of the crops they grow. The notified area is also very frequently ignored by farmers and traders. The actual hinterland of most markets varies from the notified area according to the market's size, historical specialisms, and increasingly now according to the type of State intervention operating in the market, of which market regulation is only one (Pesneaud et al, 1976, p.35; Pattanshetti, 1977, p.51; I.D.S. 1977, Gokak, p.7-9; Gadag p.8)

Also the actual organisation and composition of the Market Committee also varies (Pesneaud et al 1976, p.64) but the

implications of this require further research.

There is considerable variation even within Districts in the tolls, taxes and charges for brokerage, handling, weighing and sweeping, as well as for customary allowances for charity. In Districts in Andhra Pradesh, where charges are fixed, total charges in regulated markets vary from Rs.1.4 per quintal for sorghum (Cuddalore) to Rs.3.62 (Visakapatnam). Within Karimnagar District total charges vary between Rs.1.72 and 2.42 per quintal. In half of the Districts of Andhra Pradesh market charges as well as market fees are levied on a percentage basis which therefore tends to exaggerate fluctuations in the distributive margins. These percentage charges also vary between districts (Govt. of A.P., 1977b, pp.24-33).

Similarly licencing fees in Andhra Pradesh vary between Rs.5 to Rs.100 for traders, not simply according to their "class" as determined by business turnover, but within and between Districts. They may also vary between Rs.1 and Rs.10 for casual petty dealers. (Govt. of Andhra Pradesh, 1976, p.233-239; 1977a, p.26; Pesneaud et al, 1976, p.16, p.22). Considerab le varia tion in the organisation and taxation of trade through regulated markets is possible under the law, or if not under the law, then with the full acquiescence of the Marketing Department administering the law.

Sabotage and struggle

Much more widespread and more serious variation in organisation in control and in taxation of trade results from sabotage to the legislation. We shall describe first of all the acts of sabotage which may be perpetrated by traders on the implementation of portions of the act defending producers.

Auction procedures should be "open and untied, under the Acts. In fact in the 97 markets described as regulated in the World Bank project proposal for Karnataka in 1972, foodgrains were marketed by "mutual agreement" via a commission agent in half of them (Govt. of Mysore,

1972, pp.47-168; see also I.D.S. 1977, Bellary p.37; Gulbarga, p.51; Gokak, p.50). Even in the Tungabhadra project area where considerable international investment has been made in physical infrastructure for marketing,

> "although tender and open auction systems are followed in a majority of regulated markets, it must be noted here that these two systems (more particularly the former) are followed only in respect of commercially important commodities like cotton and groundnut. In respect of other commodities, either open negotiation or mutual agreement is followed in almost all markets including the big ones. ... These do not seem to be open methods and as such the market Committees...should discontinue the same."(1976 p.71).

The Marketing Department of Andhra Pradesh also acknowledges similar practices:

> "There is no uniform system as a whole in the method of sale. It varies from place to place according to the age old traditions prevalent in those places" (1977 b, p.23).

Auction procedures in the case studies of Pesneaud, Raju, and Von Oppen also vary according to the location of sale and the nature of the tie between producers and intermediaries (op.cit.p.24, p.42, p.48, p.49).

Provision is made for the introduction of scientific grading under the Acts, but implementation is highly problematic. On the one hand in Andhra Pradesh

> "There is no machinery to assess the standards of a particular lot on quality factors or to ensure payment even when quality may be fairly determinable. Moreover there is such a wide variation ... not only from market to market but also in different lots in the same market that it is not possible to ensure payment of a particular price for a particular grade" (Govt. of A.P., 1977 b, p.40-41).

Pesneaud et all observe that grading in Andhra Pradesh is hampered by the absence of price information in other regulated markets, and by shortage of funds (1976, p.17). In Karnataka, grading is only practised in one third of regulated markets (Pattanshetti, 1976, p.200). Sorghum and millet together comprise 9 per cent of total turnover in regulated markets of the State, yet vary between 0.05 and 0.2 per cent of the total produce

graded (data in Govt. of Karnataka, Marketing Department Administration Reports for 1972-73 to 1975-76); and if these coarse foodgrains are graded at all, it is by visual inspection (see I.D.S. 1976 Mysore p.69; 1977 Gadag, p.19; 1978, Kollegal, p.20).

If for lack of personel or equipment, modern "scientific" grading is not carried out, this does not mean that the behaviour of market prices is not sensitive to quality characteristics of coarce foodgrains. Von Oppen and Jambunathan have shown that prices may be sensitive not only to measureable qualities such as colour, dimensions and impurities, but also to "cryptic" qualities such as protein content, dry volume and swelling capacity for both sorghum and millet (1978), indicative of the discriminating nature of the free market. But scientific grading practices are not necessarily advocated on the assumption that the market is not sensitive to quality, but comprise a measure that should protect producer-sellers in the process of price determination. As such, grading measures are ineffectual for foodgrains.

Likewise in order to protect the producer, provision is made in the Act to weigh goods before sale by independent functionaries to be paid from fees for weighing levied by the Market Committee on producers or sellers. In only one market of the 6 surveyed for the World Bank in Karnataka was this the case (I.D.S. 1977, Gulbarga, p.51-53) and in Gulbarga market the weighmen, paid by the committee from the piece rates charged to sellers, were demanding incorporation into the market bureaucracy to ensure standard and secure remuneration irrespective of seasonal variations in their work loads. Elsewhere foodgrains are either not weighed (Pattanshetti, 1976, p.63-65) or weighed by clerks attached to individual commission agents using scales owned by the latter and therefore open to potential abuse. In allowing this

> "The Market Committee is doing what is sought to be prevented" (I.D.S., 1976, Mysore, p.88-89; see also 1977, Chintamani, p. 81-87; Gokak, p.68; Gadag p.54-55, 1978, Kollegal, p.10)

Unskilled labour is also frequently attached in the same way to traders, and therefore unlikely to work in the interests of those who do not pay them.

For the producer's benefit, payment should be immediate on sale. In Andhra Pradesh in 1976 a large majority of the recommendations resulting from a seminar organised by the Marketing Department on the problems confronting agricultural market committees concerned ways to facilitate improvements in the speed with which traders paid producers (Govt. of A.P. 1976 p.3). In Karnataka, Pattanshetti found delays varying between 7 to 90 days in payment to two thirds of producer-sellers in the regulated markets of the Tungabhadra project area and

> "This clearly shows that the time limit for payment of sale stipulated in the byelaws of the market committee is not adhered to in a majority of cases" (1976, p.79)

Delays of 20-30 days, far longer than is necessary to effect sales, during which time a trader may use producers' finance for his own speculative activity, are not unusual (see remarks in I.D.S. 1977, Gokak, p.65).

Traders may also exact illegal charges from producer-sellers

> "Many of the producers are made to pay twice the unloading, cleaning and weighing charges - once in kind and once in cash when their accounts are settled. Most of the sellers trust the commission agents and need the assistance of them in their financial requirements. This need is abused by the commission agents, The hamalies and weighmen, though licenced, are the men of the commission agents. When the product is brought to market, they unload, heap the product for exhibition and arrange for sale. For these services the commission agent get them paid in kind stating that it is customary. When the sales are over and when the account settlement slips are made it is found that the same people who helped him to get the product sold are paid statutory charges" (I.D.S. 1976, Mysore p.81)

Also even in the well run market of Gulbarga:

> "Decentralised bidding, disproportionate handling charges payment of hamali in kind, unauthorised collections and extra commissions are still prevalent in this market... The only sanction is custom and the rate of commission and charity deductions are entirely at the caprice of the commission agents" (I.D.S. 1977, Gulbarga, p.50-51 see 1978, Gulbarga pp.2-11; 1978, Gokak p.7, p.29)

In Chintamani, traders charge producers notional transport costs from their shops to the unused regulated market yard and back, and they also deduct 1 kg "samples" from sales. Farmers are also used to cleaning their produce after sale, yet traders quote a price based on its original

quality (I.D.S. 1977, Gulbarga, p.30, p.45, p.53). In Gokak twice the legal limit of allowances is taken to cover "moisture" (I.D.S. 1977. Gokak p.29).

The extraction from producers of commissions in the region of twice (and sometimes up to 6 times) the legal limit of 1.5 per cent of the value of produce traded is unexceptionable practice in regulated markets (I.D.S. 1977, Bellary, p.88; Chintamani p.45; Gadag p.52; Gulbarga p.48).

The final way in which traders may subvert the legislation is by evasion by buying from producers in locations outside the town in which the market committee is situated.

> "A Market Committee will not be in a position to effectively control, direct and supervise the transactions that take place in the notified area if such area is very extensive" (Law Commission of A.P. 1962 p.20; see also Govt. of A.P., 1977b, p.20-30; I.D.S. 1977, Gulbarga p.64; Gadag, p.52 for Karnataka). In villages in Kollegal and Narasipura Taluks 50 per cent (of the 1500 producers surveyed) sell entirely in villages and a further 20 per cent sell in both villages and market towns. Small farmers and sellers of coarse grains were disproportionately village-bound (I.D.S., 1978, Kellegal, pp.5-7, p.18-see also I.D.S., 1978, Gokak pp.38-41).

Pressure from creditors and difficulties with transport force many cultivators to sell in their villages or at periodic markets without stores, all weather roads, approved scales, telephones etc. to itinerant traders or licensed or unlicensed agents of urban wholesalers or commission agents who control interregional transfers (Govt. of A.P. 1977b, p.21-22; Pesneaud et al 1976, p.52-53).

In Andhra Pradesh (see Table 5) the village sellers' share of the urban consumer's rupee is lowest in Telengana. This is precisely the region where average wholesale market prices are on the whole highest. This suggests that historically early regulation cannot have reduced the monopoly power over rural sellers of urban based foodgrains traders, whatever it has done to those producers who do manage to sell in regulated markets.

There is some circumstantial evidence that market regulation may act as a centrifugal force and result in an increase in the geographical dispersion of primary transactions in traders' efforts to escape bureaucratic control. Producers are rarely in a position to use lorries and trucks for transporting produce. Normally they use carts, and modern vehicles are the preserve of traders. In four of the six markets in Karnataka evaluated for the World Bank, 60-70 per cent of foodgrains were brought in lorries and trucks. In Gokak supplies were brought in by large farmers and itinerant traders (according to the surveys of sellers). Only in Gadag and Gulbarga were farmers likely to be dominant among foodgrains sellers in regulated markets (I.D.S. 1976, Mysore p.24-30; 1977 Bellary p.5; p.47, p.51; Chintamani p.30, p.44; Gokak p.48 Gulbarga p.31, 1978, Kollegal p.22, Gokak, p.21). It is the foodgrains trade between traders, not between traders and farmers that is most often regulated. Interesting evidence is also provided by a Marketing Department administrator for Nalgonda District of Andhra Pradesh:

> "The main reason for such failure is centralised transactions is reported to be due to the direct purchases from the producer-sellers or agents of the producers by the licensed trader-buyers at the villages" (A.D.M.N. 1977 p.2).

They use the <u>takpatties</u> (official bills issued in quadruplicate from 1975 onwards to be used for all transactions and copies of which are to be remitted to market committees) to "record" village transactions abusing regulations on charges and commissions, not remitting sales slips and actually increasing their hold over producers.

> "Thus the very circular (No Rc 3/3679/75) of the Director of Marketing issued for controlling unauthorised deductions has resulted in more direct purchases in the villages... to the disadvantage of market committees" (op.cit.p.3)

There is no direct evidence as to whether the fees paid to market committees by traders are actually transferred back down the chain to producers. This is an important lacuna in our analysis of the fiscal role of regulated markets because it affects the nature of resource transfer. It is clear however that in many cases the farmers' lobby on the market

committee is insufficiently powerful to alter the practice of marketing under the regulation acts in order to reduce the monopoly control of producers by traders, where this exists already.

There is very little evidence of direct sabotage to the working of regulated markets by the market committee itself against the interests of producers. Presumably because such activity works against the revenue collecting function of the committee. However storage facilities to enable producers to reap advantages of changes in prices (discussed in detail separately) are rarely used by farmers in either State (Pesneaud et al 1976, p.15; Pattanshetti, 1976, p.15; Pattanshetti, 1976, p.76, p.132-145). Other infrastructures in regulated markets such as eating places and rest houses designed for use by producers may be misused: used for storing building materials (I.D.S. 1977, Bellary p. 23), used by schools and colleges (I.D.S. 1977, Gadag p.59), producers staying overnight at markets usually being accommodated by their commission agents, or sleeping with their commodities because of (wide spread) lack of policing (see general remarks in I.D.S. 1976, Mysore, p.69).

Sabotage against the interests of the market committee is reported. In one respect this is carried out by those who sell - more often traders than farmers proper. This concerns the evasion of market fees. In Bellary market

> "It is critically observed that huge amounts of overdues are pending with the traders and commission agents" (I.D.S. 1977, Bellary p.76).

From calculation of market turnovers in the seventies it is concluded that market revenue varied from 76 - 96 per cent of what ought to have been collected in Mysore (p.100), 45-65 per cent in Chintamani (p.5) and 80-90 per cent in Gadag (p.66). There are "enormous divergences" in Gokak (p.89). As well as opposing the creation of subyards (Von Oppen 1978 p.18; I.D.S. Gulbarga p.46) refusing to shift business sites or to complete construction (A.D.M.N. 1977, p.16) traders may object to the composition of the Market Committee. In Andhra Pradesh

308 writ petitions had been filed in this context alone between 1970-73 (Govt. of A.P., 1974, p.30). Traders sabotaged the elections to Committees in Nalgonda by swamping the Marketing Department with nominations for all licensed traders (A.D.M.N. 1977 pp.11-14).

Traders also may refuse to submit accounts and few submit monthly stock statements (A.D.M.N. 1977, p.14; I.D.S. 1976, Mysore p.97, p.111-113; 1977 Chintamani p.51; Gulbarga p.47). In Kollegal 3 out of 37 traders submit accounts for fee registration (I.D.S. 1978, Kollegal, p.10). In Bellary

> "Highly irregular submissions of accounts by traders and by commission agents are causing many problems to this market" (I.D.S. 1977, Bellary p.76)

Licence fees are also evaded

In Bellary

> "The numbers of licensed brokers and casual traders are very less as against those who are actually operating" (Op.cit., p.32).

Rural traders who rarely trade in regulated markets even if they trade in notified areas, are especially prone to evasion. In Mysore, Chintamani and Gadag the numbers of licences issued to traders, weighmen and cartmen are declining because

> "Casual licences are preferred over permanent licences because accounts do not have to be submitted" (p.89, see also p.97-99 and IDS 1977, Chintamani p.51; Gadag p.54-55).

Unskilled labourers whose licences, if paid at all, are paid by their commission agents, also escape licencing (I.D.S. 1976, Mysore p.85; 1977, Chintamani p.53; Gokak p.69).

The number of licensed functionaries over the early seventies according to the respective State Marketing Department's records are shown in Tables 6 and 7. It is evident that very large numbers have to be supervised by the limited Marketing Department personnel on behalf of the Market Committees. The total numbers involved in trade do not

differ much between the States even though Andhra Pradesh (with slightly fewer licensed functionaries) had double the number of regulated markets and (see forward, p.144, Table 9) double the value of turnover. In Karnataka the decrease in the number of weighmen and casual traders is indicative of evasion. The number of licensed traders declined between 1972-76 in 30 of the 97 markets for which detailed records are available, mostly in Belgaum and Mysore divisions. In Andhra Pradesh there appears to be a considerable switch from permanent licencing (with voting rights but with the obligation to submit accounts) to casual licencing (with neither right nor obligation). The number of licenced traders declined in 58 of the 126 markets for which records exist between 1973-77, mostly in coastal Andhra where market regulation is relatively recent.

It is evident that the power of a market committee over mercantile monopolies is weak. Traders are not necessarily always in monopoly/monopsony positions, but when they are, then Committees can do little to change their price fixing behaviour (A.D.M.N. 1977, p.4). This is especially obvious when the committee chairman or powerful members of the committee are themselves monopolistic traders.

Neither can the paid staff of the Marketing Department resist trading monopolies:

> "The executive staff have no voice before the merchants in enforcing any of the provisions of the law" (I.D.S. 1977, Bellary p.73).

The same lack of power is true against an industrial monopoly such as the Gokak Patel Volkhart cotton mill, supply to which dominate Gokak regulated market and which pays no market fees or dues (I.D.S. 1977, Gokak p.5, p.33). Similarly monopoly parastatal institutions such as the Food Corporation of India and marketing cooperatives (where they function at all) are given privileged exemption from control by market Committees (I.D.S. Bellary, p.73; Pesneaud et al, 1976, p.15)

Since regulated marketing represents inter alia a transfer of control and/or of ownership of a lucrative resource, a market place,

Table 6 : Licensed Market Functionaries, Karnataka

Date	Traders	Commission Agents	Casual Traders	Weighmen	Labourers (hamals)	Cartmen	Truckers	Brokers	Total
1972-3	38873	3893	13133	2256	5965	940	1139	446	48649
1973-4	44391	4249	7529	2539	7100	846	1266	221	78133
1974-5	40634	4230	7915	2255	6309	1209	1249	380	79027
1975-6	46960	4535	8960	2032	7029	1348	2944	454	78020

Source : Administration Reports, Karnataka State Marketing Department.

Table 7 : Licensed Market Functionaries, Andhra Pradesh

Date	Traders	Casual (petty) traders	Weighmen	Labourers (hamals)	Total (including other functionaries)
1972-3	21126	19303	3570	3528	48921
1973-4	34780	17316	4064	4404	62989
1974-5	32390	18464	4438	4973	61831
1975-6	30377	26956	4555	7651	72060
1976-7	29582	24384	4213	7415	69126

Source : Administration Reports, Andhra Pradesh State Marketing Department.

to the market committee, the latter at best arbitrates between, at worst is in conflict with institutions other than those whose trade it regulates. Of special importance is the relationship between Regulated Market Committees and the Municipal Administration of the towns in which they are located and from which revenue earning functions have usually been transferred. The Law Commission of Andhra Pradesh explains:

> "Under the law relating to municipalities both in the Telengana area and the Andhra area the municipalities are entitled to establish markets and also to continue the existing markets..... The municipalities, the corporation and the other local authorities are vested with the power to regulate trade by establishing markets... Their trade is not restricted to the notified agricultural produce... It is of an extensive nature.... To the extent the Bill prohibits the carrying on of the trade except under the restrictions imposed by the Act, the Bill infringes the rights of the municipalities recognised under the Statutes relating to them" (1962, p.17)

In Nalgonda District of Andhra Pradesh market committees refuse to pay professional tax, betterment tax or fees for layout plans to the Municipalities (A.D.M.N., 1977, p.14). Where regulated sites are either not provided or not used, it is the responsibility of the Municipal Administration or Panchayat to maintain markets. Thus there is a conflict of responsibility. In Mysore for instance the Municipality paid Rs.42.8 lakhs in 1973-74 to clean and maintain regulated market subyards from which the market committee derives income, for providing water supplies, lighting and sewerage to market places. In the same year the Market Committee spent Rs.3.6 lakhs on maintaining its market (Govt. of Karnataka). For this purpose(in retaliation) additional taxes (e.g. octrois) are often levied by the Municipality on producers. Double taxation by different institutions may divert supplies away from the market places of such settlements altogether (e.g. I.D.S. 1977, Gokak p.15, p.76, 1978 Gulbarga p.11; Gokak pp.23-24; pp.38-41). Similar conflicts occur with rural administrations. In Gulbarga, two village Panchayats appointed by a Market Committee to regulate the traditional markets already administered and taxed by them have refused to remit revenue (I.D.S. 1977, Gulbarga,

146). In Gokak, the Municipality has not organised the supply of electricity to the new market yard, nor has it connected the market to the municipal water supply or mains drains (IDS, 1978, Gokak, p.42).

Market Committees have been unsuccessful in other clashes of control over the taxation of producers and traders. In Bellary the Market Committee has clashed with the Commercial Taxes Department which insists on exacting sales taxes on coarse grains from all those sellers not proven to be producers by the possession of an official "growers certificate". These certificates are found hard to obtain by bona fide farmers. They thus divert sales to unregulated sites (IDS, 1977, Bellary p.30-32). There is evidence that compulsory deductions made at regulated markets from producer-sellers for the Central Administration's National Savings Scheme or for local road improvement funds, are not only open to abuse but divert supplies away from such markets with the net effect of reducing the very revenue that the savings scheme is designed to augment (IDS, 1977, Bellary p.85; Gulbarga p.72-73, 1978 Gokak pp.23-24). The exacting of a further 1 per cent tax on producers by the Public Works Department for funds to be used for investment in rural roads exacerbates the taxation role of the market committee and diverts supplies (IDS, 1977, Bellary p.35).

The administrative structure itself may be the location of conflict not simply within the committee between the different interests of farmers, traders and State institutions but even between the committee and the permanent staff. The elected market committees have this one area of administrative control. The running of market is actually carried

out by officials and staff of the Marketing Departments. The Secretary and Accountant are appointed by the Department but other staff are selected by the Committee and are usually untransferable. There is no centralised career structure, standardised service conditions or training procedures.

> "It has been found that in every market the Committee officials owe their allegiance to the members of the market committee rather than to the market as an institution. The Secretary or Assistant Secretary has little or no powers to take action against the Committee staff for their misdemeanour, omissions or commission. Further the Committee officials are not transferable from one Market to another Market with the result that they have become ingrained in their offices and are immune to corrective action even when contemplated by the Secretary or Assistant Secretary. The powers of the Secretary in the matter of disciplinary action... are recommendatory and the Committee may reject it. This has resulted in laxity of discipline among the officials....who may act hand in glove with the Committee members..... The Secretary can either get himself involved with them or is transferred on the recommendation of the Committee... This has spelt indiscipline, insubordination and in many cases sheltering of undesirable elements" (I.D.S. 1976, Mysore, p.72, p.116)

and an example is given as follows:

> "The Committee can permit direct sales by the producers to the sellers. This rarely takes place and the facilities given to him are too few and since he is ignorant of the many requirements of the regulations he feels more secure under the tutelage of a commission agent. The Market officials do not encourage such sales as they would have to shoulder some of the responsibilities on the producer's behalf" (op.cit. p.81, see also A.D.M.N. 1977, p.10-13 for Andhra Pradesh)

At the level of daily administration this may enable, though it certainly does not necessarily ensure, the exercise of discriminatory patronage and corruption.

On the other hand in the higher echelons of the Marketing Department, in Headquarters and at the Divisional and Market Secretary

level the reverse may occur and dysfunctionally high levels of turnover have been reported (Pesneaud et al, 1976, p.11; see also Govt. of A.P. 1976, pp.48-54, and 1977; Govt. of Karnataka, 1974 for evidence of very extensive transfers of the "musical chairs" variety).

Though our evidence is necessarily circumstantial rather than being systematic, it is quite clear that far from being an area of consensus the administration of an agricultural market is an arena of action of a large number of different class fractions as well as of different social classes, on which a great deal more research is necessary before there can be satisfactory progress above the level of description.

We may have a clearer idea of the likely outcome of this activity in Karnataka and Andhra Pradesh by examining the generation and use of resources through regulated marketing.

Resource Transfers

Income from regulated markets in the two States is shown in Table 8. In Andhra Pradesh 70 per cent of income is derived from market fees and the remainder comes from licences and from rent on market facilities. In Karnataka 80 per cent comes from fees. In both States in 1974 the fees were raised from Rs.0.25 per hundred of turnover by value to Rs.0.5. By 1975 the market fee was 1 per cent of turnover in Karnataka, though in some places it was raised to 2 per cent (Govts. of A.P. and Karnataka, Administration Reports, Marketing Depts. 1974, 1976; I.D.S. 1976, Mysore p.97-104). Despite the large increase in the number of markets regulated in both States, the rate of expansion in the volume and value of agricultural goods traded is half that of market income in Andhra Pradesh, and a third that of the rate of expansion in market income in Karnataka (Table 9). The Market Committees are increasing their role as taxers of trade as other taxes such as sales tax on foodgrains have been relaxed (see appendix). The incomes of both States are similar despite the facts that gross agricultural production in Andhra Pradesh is 50 per cent greater than that of Karnataka, (Govt. Of India, 1976, p.8-9) and that Andhra Pradesh has over twice the number of regulated markets as has Karnataka (suggesting the coverage of market sites by regulated marketing

is actually not complete in Andhra Pradesh despite claims to the contrary by the Marketing Department, and confirming thatagricultural marketing is taxed less heavily in Andhra than in Karnataka (see Table 9). The income from fees on foodgrains comes from traders more than from primary producers, though it is not known whether this tax is passed onto farmers by traders at unregulated sites of transactions.

Expenditure on regulated marketing is also given in Table 8. Expenditure includes remittances to State Headquarters for the Central Investment Pool and for the support of the Marketing Department and Board. We have seen that these are 25 to 35 per cent of total income. Revenue from market fees and licences amounted to Rs.5.9 crores in Andhra Pradesh in 1976-77. Thirty six per cent of this revenue came from trading in foodgrains and 30 per cent was remitted to the State administration. Hence from foodgrains marketing alone Rs.63.7 lakhs was remitted by regulated market committees. In Karnataka the total market income was Rs.5.6 crores in 1975-76. Thirty per cent of this resulted from foodgrains trading and 20 per cent, that is Rs.33.6 lakhs was remitted (Govt. of Andhra Pradesh, 1977 a; Govt. of Karnataka 1976). Hence fees levied on producers and traders+ at regulated markets represent a transfer of resources to support a fraction of the State bureaucratic apparatus whose productivity and effectiveness in respect of foodgrains marketing we have been unable to demonstrate convincingly here either from statistical or from case study evidence.

Expenditure also includes the cost of running, maintaining and paying salaries of the establishment administering local markets under the elected committees, Establishment charges in Shorapur and Shahpur, Karnataka represent 42 per cent of total expenditure and 21 per cent of total income (Karnataka State Marketing Dept, 1977, p.28). In Mysore they vary between 16-25 per cent of total income (I.D.S., 1976, Mysore, p.104).

Expenditure also include development works. These are also financed not only from local income but also partly by the State Marketing Department, partly by Central Government and partly by

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\+ Fees should be levied on traders but they may be levied on producers if a) the trader is a producer b) the trader transfers the onus of the fee back to the producer rather than absorbing it from profits or transferring it on to the consumer.

Table 8 :

Income, Expenditure and Savings by Regulated Markets,

Rs. '000

Karnataka	Income	Expenditure	Savings	Savings as % of income
1971-72	11,706	9,826	2,467	21
1972-73	12,313	9,779	2,817	23
1973-74	21,719	13,945	8,187	38
1974-75	48,556	23,123	25,262	52
1975-76	55,994	37,800	18,507	33
1976-77	43,334	36,022	7,312	17
1977-78	60,775	37,422	23,332	38
Andhra Pradesh				
1972-73	12,267	8,008	4,259	35
1973-74	22,521	13,662	8,859	39
1974-75	41,000	17,640	23,360	57
1975-76	51,000	27,052	23,948	47
1976-77	58,735	39,098	19,637	33

Source : Data from Annual Administration Reports, Marketing Departments, Market Intelligence Wing, Marketing Officer, Bangalore.

Table 9 :

The Fiscal Role of Regulated Markets

		Karnataka	Andhra Pradesh
No. of regulated markets+	1972-73	200	312
No. of regulated markets	1975-76	236	-
No. of regulated markets	1976-77	-	480
Annual rate of expansion		39%	38%
No. of licensed functionaries	1972-73	48,649	48,921
No. of licensed functionaries	1975-76	78,020	--
No. of licensed functionaries	1976-77	--	69,126
Annual rate of expansion		53%	39%
Arrivals (Rs.'000)	1972-73	2,719,990	4,355,237
Arrivals (Rs.'000)	1975-76	4,223,038	--
Arrivals (Rs.'000)	1976-77	--	9,857,466
Annual rate of expansion		51%	57%
Income (Rs.'000)	1972-73	11,706	12,267
Income (Rs.'000)	1975-76	55,994	--
Income (Rs.'000)	1976-77	--	58,735
Annual rate of expansion		159%	120%
Income as percent of arrivals	1972-73	0.4	0.3
	1975-76	1.3	-
	1976-77	-	0.6

+ plus subyards

Source : Data in Administration Reports, Marketing Departments.

Table 10.

REGIONAL PERFORMANCE, KARNATAKA

	DIVISIONS			
	Bangalore	Mysore	Belgaum	Gulbarga
Total income 1971-76 (Rs. '000)	42,991	21,704	56,958	35,564
percentage of State total	27	14	36	23
Total expenditure 1971-76 (Rs. '000)	27,816	14,516	27,260	24,873
percentage of State total	29	15	29	26
Total savings 1971-76 (Rs. '000)	15,175	7,188	29,698	10,691
Percentage of State total	24	11	47	17
1971-72 percentages of total State				
Income	25	13	23	39
expenditure	27	12	28	33
Savings	18	15	13	54
1975-76 percentages of total State				
Income	33	16	30	20
expenditure	40	20	25	21
savings	23	9	43	18

International Capital. In Karnataka uptake of Central Government loans on development works in 1972-73 was 55 per cent of allotment. Under the Thungabhadra Command area Project uptake for rural roads was 80 per cent between 1972-75 and that for markets varied between 46 and 75 per cent. Under the I.D.A. project described earlier, development works by 1977 were in course of implementation in 11 of the 36 sanctioned markets and Rs. 196 lakhs of the allotted Rs.554 lakhs had been taken up. (Govt. of Karnataka, Marketing Dept., Administration Reports).

In Andhra Pradesh expenditure on development works has increased from 29-36 per cent of total expenditure and 19 to 24 per cent of total income between 1972-77 (Govt. of A.P., 1977 a, p.31-32). Sanctioned annual estimates for improvements in market administration, in physical infrastructure and in land acquisition etc. rose from Rs.40.44 lakhs in 1972-73 to Rs.247.5 lakhs in 1976-77. Uptake of these loans has varied from 32 per cent to 58 per cent but has averaged 48 per cent. The administration costs of development works are high. In 1976-77, out of 5 development schemes executed under the State plan, costing a total of Rs.610 lakhs, 50 per cent was to meet the costs of bureaucratic administration of markets and 50 per cent for regulation, grading etc. "in the interests of farmers" (Govt. of A.P., Marketing Dept., Administration Reports).

Establishment costs are therefore relatively high, even in development works. Despite the unprecedented expansion of regulated markets development expenditure remains relatively low, and offtake of allotted funds is also low.

Regional transfers of resources are also involved (see Tables 10 and 11). In Karnataka, Gulbarga region (containing markets amongst the earliest regulated) is being reduced in its relative importance as a generator of revenue while Bangalore and Belgaum regions are of growing significance. Gulbarga has lost out to Bangalore in the relative importance of its expenditure. In Andhra Pradesh, coastal Andhra, recently regulated, has increased in importance as a generator of revenue relative to Telengana, and there is a similar though less marked trend in expenditure.

Perhaps the most important characteristic of the balance sheet for market regulation is the very large quantities of resources saved. In Karnataka, annual surpluses have increased from Rs.2.5 m to Rs.18.5 m from 1972-76. Savings are generally rising as a percentage of income and are the biggest single component of income. Gulbarga has lost its preeminence in savings to Belgaum, where markets are being newly regulated. In Andhra Pradesh where agricultural marketing is taxed less heavily, annual financial surpluses from regulated marketing have increased from Rs.4.2 m in 1972 to Rs.[illegible].9 m in 1976 and savings vary between 33 and 57 per cent of total annual income. Whether such a generation of surplus is progressive or retrogressive (in expanding production or in changing relations of production and exchange in a direction which reduces exploitation) depends on the use of such surplus. Information is generally not available on this aspect of Regulated Marketing.

We have only one piece of evidence as to how such savings are used. In Shahpur District of Karnataka surplus financial resources are invested in nationalised commercial or State Banks (46 per cent) the Post Office (32 per cent) and the National Savings Scheme (22 per cent). We must therefore conclude that State institutions are the intermediate destinations of resources transferred through regulated marketing and that in regions seeing a recent expansion in State control of trade through regulation, savings are generated disproportionately to the expansion in expenditure. Whether the use to which these State financial institutions put these resources is more progressive than the use that would have been made of them by the farmers and traders from whom they have been extracted would be a major project of research in its own right and cannot be answered here.

Conclusions

The intervention analysed here represents a formal attempt by the State to standardise and organise agricultural marketing on a widespread geographical basis but at minimal cost to itself, with the

Table 11. REGIONAL PERFORMANCE, ANDHRA PRADESH

	Coastal Andhra	Rayalseema	Telengana
Total income 1972-74 (Rs. '000)	12,787	7,887	14,112
Percentage of State total	37	23	40
Total income 1972-77	1,17,529	67,994	
Percentage of State total	63	37	
Total expenditure 1972-74 (Rs. '000)	6,190	4,313	11,167
Percentage of State total	28	20	52
Total expenditure 1972-77	55,346	50,114	
Percentage of State total	52	48	
Total savings 1972-74 (Rs. '000)	6,597	3,074	2,945
Percentage of State total	50	27	22
Total savings 1972-77	69,370	14,952	
Percentage of State Total	82	18	
1972-73 per centages of total State			
Income	35	22	39
expenditure	29	21	50
savings	29	18	53
1973-74 percentages of total State			
Income	38	23	43
expenditure	29	19	52
savings	36	21	43

Table 12 PERCENTAGE OF TOTAL REGULATED MARKET SAVINGS IN VARIOUS FINANCIAL INSTITUTIONS, SHAHAPUR, KARNATAKA

State Bank	8
District Central Co-operative Bank	12
F.D.R. Bank	26
Post Office	32
National Savings Scheme	22

Source : Karnataka State Marketing Department, 1977, p.28

purpose of protecting the interests of farmers. Regulated marketing has undergone an unprecedented expansion recently and is increasingly involving international capital as well as local and national capital. Furthermore the administration of regulated markets has become overtly politicised with the co-option of Members of Legislative Assemblies onto the Marketing Boards set up to standardise the implementation of the Acts.

We examined the legislation itself in Karnataka and Andhra Pradesh. This is independently implemented in each State. We examined agricultural price behaviour under increasing market regulation and we analysed the administrative implementation of the Acts from case studies.

The legislation designed to protect farmers is not intelligible to the vast majority of them simply because it has not been translated into local languages. It remains in English, the language of elite administrators and legislators (A.D.M.N., 1977, p.16). The Acts are weak because of their partiality. Markets which these laws cannot regulate (for instance money markets, transport, storage) interact with markets for regulated (and unregulated) commodities to render the legislation progressively difficult to implement through time.

A study of pricing behaviour of foodgrains suggests that the implementation of regulation has not stopped a deterioration in their levels of regional imperfection. It is possible that these price imperfections are exacerbated by other types of State intervention which have countervailing power over regulated markets.

What case study evidence exists on the transfer of control in the administration of regulated market places suggests that there is much individual variation in the way in which the uniform regulations are put into practice. The administrative institution (the market committees elected from constituencies of farmers, traders and parastatal institutions and the selected and permanent staff of the Marketing Departments) comprises conflicting interests and is an arena of conflict between them. The outcome depends on their relative strengths rather than on the nature of the legislation.

Depending on circumstance the legislation may be quite powerless to alter trading behaviour or to curb abuses of monopoly power. Regulated Markets are neither necessary nor sufficient conditions for competitive marketing.

Market Regulation is a less powerful measure of intervention than in State Trading in whose interests the objectives of regulated marketing may be, and are, subordinated. (for example to F.C.I. in foodgrains or to monopolistic mercantile corporations for cash crops, such as the Cotton Corporation of India). They are used to aid the administration of partial interventionist measures conceived with contradictory objectives to those of regulated marketing (licences and fees are used to help the monitoring of movement restrictions, and of sales tax payments).

Their most important effect has probably been to enable a considerable net transfer of financial resources (through the levying of market fees) away from producer traders and traders and into various financial institutions of the State - Banks, Savings Schemes and the Post Office.+ To what further use these institutions put such resources is not known at present. This is an important area of ignorance in view of the widespread assumption that merchants use the financial resources they accumulate less productively than does the State. Market Revenue has risen at a faster rate than has the value of produce traded in regulated markets. Market fees also support a burgeoning subsector of the bureaucracy which is concerned with the administration of regulated markets. On this evidence it would seem that, far from being a protective shield to farmers, regulated markets are primarily for the benefit of the "regulators".

\+ In this regard we must speculate about the motives of "enlightened despotism" in the princely State of Hyderabad where regulation occurred very early. Was it to curb the nascent power of the emerging trading class in the interests of producers? Or was it to extract revenue from them? Or both?

See Appendix for a discussion of the taxation of foodgrains through trade.

APPENDIX

The taxation of coarse foodgrains

A project examining flows of resources, physical and financial, in the sphere of circulation would be incomplete without some discussion, however cursory, of fiscal transfers. They seem to be a neglected aspect of political economy. We shall use Andhra Pradesh and Karnataka once again for case study material.

Direct agricultural taxes are declining as a source of revenue to the State. In 1799 at Tipu Sultan's death land revenue constituted 88 per cent of total income for the State. Indirect Taxes were of negligible importance. At the beginning of the 19th century the tax of dry land comprised a third of the crop, slightly less than that on wet land (Gopal, 1960, p.10). Land revenue is still the most important source of revenue from direct taxation but has declined from 39 per cent of total direct taxes in the early '50s to 21 per cent in 1966-67 and further in the last decade (Goud, 1971, p.195). In Karnataka land tax amounted to only 5.3 per cent of the total tax burden in rural areas by 1971 (NCAER, 1972, p.12). In Andhra Pradesh land tax is only 5 per cent of net output in dryland areas(Hanumantha Rao, 1966, p.128).

However this secular trend masks variations which have repercussions on the income of producers. In Mysore State the per acre incidence of direct taxes varied between Rs.1.85 and Rs.3.15 during the period 1957-58 and 1965-66. Land revenue is levied proportionally to area and is therefore not amenable to principles of progression or graduation. It adds to the social inequity of the Indian taxation system because while low income groups are exempted from income tax in urban areas, land revenue provides no exemption for low income farmers in rural areas except during periods of crisis - generally drought or flood (Goud, 1971, p.201).

Evidence from A.P. shows that there are further strong regional variations in taxation, based on different historical methods of settlement. There is no difference in the per cent ratio of net output taxed between the irrigated deltas where per capita output is 5 times that of dryland Rayalseema

and 3 times that of Telengana. The delta tax, assessed earliest, is 50 per cent lower than that of Telengana, assessed for taxation later in time. The impact of land taxes is less on cash crops than on foodgrains and lower on irrigated crops than on unirrigated crops because assessments at the time of settlement were made on food crops and the rates of profit assumed later for cash crops. These latter rates are uncommensurate with actual profits. The rates of direct taxation do not take into account regional variations in yield or cropping pattern, the secular decline in the yields of dryland crops relative to irrigated crops or soil depletion and erosion in dryland areas (Hanumantha Rao 1966, pp.128-132).

Indirect agricultural taxes are increasing in their relative importance. Market places have been sites of taxation for at least 200 years in some regions

> "In certain parts of Mysore (at the beginning of the 19th Century) there was a tax on persons frequenting the weekly fair in proportion to the value of the articles bought for sale" (Gopal, 1960).

Grain taxes have always been problematic to administer. Even in 1800-1820, periods of scarcity in production led to grain transactions being exempted from taxation. On the other hand it was easier to tax grain at the site of transaction than via road duties which were widely evaded through smuggling.

The licensing of traders, and taxes on the physical infrastructure of commerce (premises, stalls etc.) have been constant but fiscally unimportant measures of taxation. The Weights and Measures Act 1958 in Mysore for instance raised only Rs.7.5 lakhs over a decade. (Govt. of Mysore, 1961; Kher, 1967, p.131). An important source of income is still the taxation of transactions. We have already seen that market fees at regulated markets, levied on all crops indiscriminately on an ad valorem basis have doubled and in some parts of Karnataka and Andhra Pradesh have more than trebled since 1973-74. We shall pass in a slightly less cursory manner over the interesting subject of sales taxes.

Sales taxes are levied on goodssold, not usually on goods purchased, but because agricultural producers do not come within the orbit of normal sales tax administration, the dealers with whom producers trade may be subject to purchase tax.

Sales taxes may be single,, double or multipoint in incidence.Multipoint sales taxes with few exceptions are easiest to administer. Tax liability is simply determined from total turnover. In implementation however a large number of small traders are affected and have to maintain accounts subjectable to State scrutiny. Single point sales taxes relieves petty traders but the level of tax has to be higher to yield a revenue equivalent to that from multipoint tax. In principle exemption "for social purposes" may be easily affected. In practice single point tax tends to be used on luxury goods. The burden of multipoint tax is greater on low income groups than on high income groups which have access to luxury items which are less severely taxed.

The composite system which has evolved historically is levied on dealers (hence the importance of licensing). There is a paradox between the income threshold above which dealers are liable to tax and the purely administrative costs of implementing sales taxes in agricultural commerce where the distribution of firms is very heavily skewed to the right (with large numbers of small firms and a few very large ones). In Tamil Nadu for instance 57 per cent of total assessees in the late '60s were in the turnover bracket Rs.10,000-Rs.25,000 and the percentage of total tax generated by this sector was 7.4 per cent; insufficient to cover its administration. Foodgrains commerce suffers a further complication in that historically it has been subjected to different systems of sales tax in different States. Until the late sixties foodgrains were exempt in Maharashtra, were subject to a 2 per cent general sales tax in Mysore and a 1 per cent tax in Madras. There are now trends towards standardisation although each State in South India taxes the foodgrains trade differently (Kher, 1967, pp.121-140).

The social effects of sales taxes on foodgrains are not properly researched or understood. Sales taxes are repressive if low income groups have to pay food prices hoisted by the inclusion of the tax. It is not established whether traders pass the burden of tax onwards to consumers or backwards to producers (or both). Many small farmers are, of course, both producers compulsively involved in the commercial and fiscal system and net consumers of foodgrains. Sales taxes are progressive insofar as nontraded foodgrains will escape this form of taxation. Coarse grains, in low demand in urban areas where they are also taxed, are by contrast unmonitorable and therefore exempt in rural areas. NCAER has established the existence of an untapped tax potential in the higher range of rural income groups (relative to urban groups) (NCAER, 1972, p.3-4). Insofar as it is such large producers who contribute to the supply of the coarse foodgrains market then sales taxes passed back to producers could be said to be progressive; but really insufficient is known about this aspect of the agrarian political economy. To the extent that the foodgrains economy is non-market then sales taxes are not effective mechanisms of transfer of financial resources, hence the further political significance of establishing the size and direction of flows of commodities sold on the market.

So the State taxes production and commerce as part of a strategy to ensure its own reproduction. It is clear that its social effects deserve more attention.

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